

1 UNITED STATES BANKRUPTCY COURT
2 FOR THE DISTRICT OF OREGON

3 In re:

4 Daniel and Deloris Diane Chin, individually
5 and as trustees of the Daniel and Deloris Chin
6 Living Trust u/a/d April 22, 1996, doing
business as Chin Farms; Wong Potatoes, Inc.;
and Chin Family Limited Partnership;

7 Debtor(s).

Case No. 17-63784-tmr11

(Lead Case)

17-63785-tmr11

17-63786-tmr11

(Jointly Administered)

8 NOTICE OF INTENT TO RESOLVE
9 CLAIM OBJECTIONS (CARLETON
10 FARMS)

11 Daniel and Deloris Chin, Debtors-in-Possession in Case No. 17-63784-tmr11 and equity security
12 holders in Case Nos. 17-63785-tmr11 and 17-63786-tmr11, ("Movants") intend to resolve claim
objections as described in the accompanying motion and declaration. (Identical motions are filed
in the lead case (Docket # 127) and the other cases (Docket # 62 and # 56 respectively). A copy
of the motion filed in the lead case is attached.)

13 The proposed resolution will allow the Receiver (described in the motion and declaration) to vote
14 a single claim in the amount of \$5,000 as a general unsecured claim in any plan proposed by
Movants in these cases. To the extent a plan of reorganization is confirmed, the Receiver will be
entitled to a distribution as part of the class of general unsecured creditors based on an allowed
single claim amount of \$5,000.

15 The motion and supporting documentation may be inspected at the clerk's office at the address
16 shown below, or at the service address of the undersigned listed below.

17 YOU ARE NOTIFIED that unless you file an objection to this notice no later than 21 days after
18 the service date, **and set forth** the specific grounds for the objection and your relation to the
case, with the clerk of court at 405 East 8th Avenue, Eugene, OR 97401 and serve it on
19 Patrick W. Wade, Hershner Hunter LLP, 180 East 11th Avenue, Eugene, OR 97401, telephone
541-686-8511, the undersigned will proceed to take the proposed action, or apply for an order if
required, without further notice or a hearing.

20 /s/ **Patrick W. Wade**

21 Patrick W. Wade, OSB 843725

22 Of Special Counsel for Movants

23 On May 9, 2018, I served copies of the above notice on ECF participants electronically and on
the parties listed below by U.S. Mail, postage prepaid, addressed as indicated.

24 /s/ **Patrick W. Wade**

25 Patrick W. Wade, OSB 843725

26 Of Special Counsel for Movants

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CLAIM OBJECTIONS

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HERSHNER HUNTER LLP
ATTORNEYS
PO Box 1475, Eugene, Oregon 97440
541-686-8511
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Service list:

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c/o Aspell, Henderson & Associates,
LLC (Registered Agent)
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Klamath Falls, OR 97601

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Attn.: James A. Carleton, Manager
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Carleton Farms, LLC dba Carleton
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James A. Carleton
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James A. Carleton
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Jim Carleton
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Merrill, OR 97633

Gregory G. Carleton
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Gregory G. Carleton
415 N. Main St.
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Richmond J. Carleton
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415 N. Main St.
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Christian E. Hearn
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515 E. Main St.
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8 Of Special Counsel for Daniel and Deloris Chin

9
10 UNITED STATES BANKRUPTCY COURT
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18 Debtor(s).

Case No. 17-63784-tmr11

(Lead Case)

17-63785-tmr11

17-63786-tmr11

(Jointly Administered)

MOTION FOR ORDER RESOLVING
CLAIM OBJECTIONS (CARLETON
FARMS)

19 Daniel and Deloris Chin, Debtors-in-Possession in Case No. 17-63784-tmr11 and equity
20 security holders in Case Nos. 17-63785-tmr11 and 17-63786-tmr11, move the court for entry of
21 an order resolving claim objections as follows:

22 1. Proofs of claim (the "Claims") were filed in the names of "Richmond Carleton;
23 Greg Carleton; Jim Carleton; and Carleton Farms, LLC" in each of these three administratively-
24 consolidated cases. The Claims were filed by counsel for CFO Solutions, LLC dba Advanced
25 CFO (the "Receiver") in its capacity as receiver in Klamath County Circuit Court Case No.
26 17CV56444 (the "Receivership Case").

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CLAIM OBJECTIONS

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HERSHNER HUNTER LLP
ATTORNEYS
PO Box 1475, Eugene, Oregon 97440
541-686-8511
fax 541-344-2025

1 2. In the Receivership Case, Plaintiff Umpqua Bank seeks to recover on various
2 promissory notes secured by various security agreements and trust deeds which were executed
3 by one or more of Richmond Carleton, Greg Carleton, and James Carleton. Those individual
4 were doing business as a partnership known as Carleton Farms, but in 2016 cancelled the
5 assumed business name "Carleton Farms" and created a new entity known as Carleton Farms,
6 LLC, which in turn registered the name "Carleton Farms" as an assumed business name. The
7 property under the control of the Receiver includes essentially all assets owned individually or
8 collectively, in whole or in part, by any of Carleton Farms, Richmond Carleton, James Carleton,
9 Gregory Carleton, and Carleton Farms, LLC. See Receivership Order at pp. 2-4.

10 3. The Receiver was appointed in the Receivership Case to (among other things)
11 "seize and collect any and all funds or other assets which constitute income, proceeds or profits
12 of the Receivership Estate, in whatever form and wherever located, including but not limited to
13 any and all cash, deposits, accounts, bank accounts, other cash accounts or cash equivalents, and
14 lock box funds, and to change the signatory authority on all such accounts related to the
15 Receivership Estate, with the power and authority to distribute such income, proceeds or profits
16 to the party or parties legally entitled thereto." See the order appointing receiver entered by the
17 Klamath County Circuit Court on or about February 2, 2018 ("Receivership Order"), at
18 paragraph 4(B), a copy of which is attached to the claim objections filed in these cases by
19 Movants.

20 4. The Claims constitute an asset of the Receivership Estate, as that term is defined
21 in the Receivership Order. See the Declaration of Receiver Matthew R. McKinlay.

22 5. The Receiver obtained authority in the Receivership Case to employ Christian
23 Hearn for the purpose of assisting the Receiver in the review and analysis of claims, potential
24 claims, and defenses asserted in the State Court Case, and to assist in the preparation and filing
25 of proofs of claim in these three administratively consolidated Chapter 11 cases. See the
26 Declaration of Receiver Matthew R. McKinlay.

6. Movants objected to the claims as follows:

(a) In the case In re Daniel and Deloris Chin, 17-63784-tmr11, Docket No. 100, relating to claim 31 in that case;

(b) In the case In re Wong Potatoes, Inc., 17-63785-tmr11, Docket No. 52, relating to claim 18 in that case; and

(c) In the case In re Chin Family Limited Partnership, 17-63786-tmr11, Docket No. 48, relating to claim 11 in that case.

7. By minute orders entered in each of those cases following a hearing held on April 26, 2018, the court extended the time for filing of motions for temporary allowance of claims and for response to the objections to May 9, 2018.

8. The parties have agreed upon a resolution of the three claim objections which is set out in the form of order attached hereto.

9. To the extent that any of Richmond Carleton, Greg Carleton, Jim Carleton, the partnership known as Carleton Farms, or Carleton Farms, LLC retain any interest in the Claims, they will become bound to the terms of the proposed order unless objections are filed and served within 21 days after service of notice of this motion.

10. A declaration of the Receiver is submitted in connection with this motion.

WHEREFORE Daniel and Deloris Chin pray for entry of orders substantially in the form attached hereto.

DATED May 8, 2018

HERSHNER HUNTER, LLP

By /s/Patrick W. Wade
Patrick W. Wade, OSB 843725
Of Special Counsel for Daniel and Deloris Chin

[Stipulation by counsel for Receiver appears on following page]

1 CFO Solutions, LLC dba Advanced CFO in its capacity as receiver in Klamath County
2 Circuit Court Case No. 17CV56444, hereby stipulates to the entry of orders resolving the claim
3 objections substantially in the form attached hereto.

4 DAVIS, HEARN, ANDERSON & TURNER

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6 By: /s/Christian E. Hearn
Christian E. Hearn, OSB 911829
7 Of Attorneys for CFO Solutions, LLC dba Advanced CFO,
Receiver for Carleton Farms

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16 Debtor(s).

Case No. 17-63784-tmr11

(Lead Case)

17-63785-tmr11

17-63786-tmr11

(Jointly Administered)

17 ORDER RESOLVING CLAIM
OBJECTIONS (CARLETON FARMS)
(PROPOSED)

18
19 This matter came before the court on the stipulation of the parties regarding objections
20 filed by Daniel and Deloris Chin in these three administratively consolidated cases, the
21 objections and associated orders being as follows:

22 In the case In re Daniel and Deloris Chin, 17-63784-tmr11, Docket No. 100, relating to
23 claim 31 in that case;

24 In the case In re Wong Potatoes, Inc., 17-63785-tmr11, Docket No. 52, relating to claim
25 18 in that case; and
26

1 In the case In re Chin Family Limited Partnership, 17-63786-tmr11, Docket No. 48,
2 relating to claim 11 in that case.

3 The court finds that the claims were filed on behalf of CFO Solutions, LLC dba
4 Advanced CFO in its capacity as receiver in Klamath County Circuit Court Case No.
5 17CV56444 under order entered in that case on or about February 2, 2018, and that under that
6 order the receiver has authority to administer the interest of the parties named in the proofs of
7 claim (Richmond Carleton; Greg Carleton; Jim Carleton; and Carleton Farms, LLC) as part of
8 Receivership Estate.

9 The claims are allowed for as follows:

10 1. Each claim is allowed in the amount of \$5,000 as a general unsecured claim in the
11 respective cases.

12 2. Because the three separate claims were filed in each of these three administratively
13 consolidated cases for amounts allegedly owing under the same set of facts by each of the
14 debtors jointly and severally, there shall be no more than one recovery to Claimant, whether paid
15 by any one or more of the debtors.

16 3. Claimant shall be allowed to vote a single vote in the amount of \$5,000 in the class of
17 unsecured creditors in any joint plan which is proposed for the three administratively
18 consolidated cases.

19 4. Either party will have the right to further litigate the claim for distribution purposes
20 after confirmation of the Plan; however, if neither party files a notice with the Bankruptcy Court
21 of its intent to litigate the claim within 30 days following the Effective Date of the Plan, the
22 claim will be an allowed general unsecured claim for distribution purposes in the amount of
23 \$5,000. Any further litigation regarding the claims between the parties will take place in
24 Klamath County Circuit Court in the lawsuit that was pending between the parties when the
25 Debtors filed their Chapter 11 petitions (Klamath County Circuit Court Case No. 16CV15758).

1 Nothing in this order prejudices the claims, counter-claims or cross-claims of the parties as
2 asserted in the Klamath County case prepetition if post-confirmation litigation is continued.

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5 Of Special Counsel for Daniel and Deloris Chin
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Case No. 17-63784-tmr11

(Lead Case)

17-63785-tmr11

17-63786-tmr11

(Jointly Administered)

DECLARATION OF MATTHEW R.
McKINLAY IN SUPPORT OF
MOTION FOR ORDER RESOLVING
CLAIM OBJECTIONS (CARLETON
FARMS)

20 I, MATHEW R. McKINLAY, declare and state as follows:

21 1. I am a Member of CFO Solutions, LLC dba Advanced CFO ("Receiver") which,
22 on February 2, 2018, was duly appointed state court receiver of Carleton Farms and other named
23 defendants in that certain state court case entitled, Umpqua Holdings Corporation v. Carleton
24 Farms, et al., and presently pending in the Oregon Circuit Court for Klamath County, as Case
25 No. 17CV56444. I am over 18 years of age, and have personal knowledge of the matters herein
26 and am competent to testify as to same.

1 2. I submit this Declaration in support of the concurrently-filed Motion for Order
2 Resolving Claim Objections.

3 3. On February 2, 2018, the Klamath County Circuit Court appointed CFO
4 Solutions, LLC dba Advanced CFO ("Receiver") as Receiver administer assets of Carlton Farms,
5 Richmond Carleton, James Carleton, Gregory Carleton, and Carleton Farms, LLC (collectively
6 "Carleton Farms") (Case No. 17CV56444). See: Receivership Order, Exhibit B to Debtors'
7 Claim Objections.

8 4. On February 12, 2018, Receiver engaged Davis Hearn Anderson & Turner PC
9 ("State Court Counsel") to represent the Receiver in the pending Klamath County Circuit Court
10 action between the Debtors and Carleton Farms (Klamath County Circuit Court Case No.
11 16CV15758). See: Exhibit A to Debtors' Claim Objections. In light of the Debtors' bankruptcy
12 court filings, the Receiver also engaged Davis Hearn Anderson & Turner PC for the limited
13 purpose of filing simple Proofs of Claim on behalf of Carleton Farms in the three jointly-
14 administered Bankruptcy Court matters, since the Davis Hearn Anderson & Turner, P.C. does
15 not practice in Bankruptcy Court. See: Exhibit C, at Pg. 2, of Debtors' Claim Objections.

16 5. Receiver's Notice of Intent to retain counsel states: "(b) The Scope and Nature of
17 the Proposed Engagement. Davis Hearn will be retained as special counsel to assist the Receiver
18 in the review and analysis of claims and potential claims asserted in the State Court Case, and to
19 assist in the preparation and filing of proofs of claim in the three jointly administered Chapter 11
20 cases filed by the Chin Entities." Exhibit "C ", at Pg. 2, to Debtors' Claims Objections.

21 6. The claims asserted by the Carletons against the Chin entities in the State Court
22 case between the Debtors and Carleton Farms (Klamath County Circuit Court Case No.
23 16CV15758) constitute collateral of Umpqua Bank and property of the Receivership Estate
24 under the Receivership Order.

25 7. Receiver has absolute authority to administer the Claims as part of Receivership
26 Estate. See Paragraph 4 of the Receivership order, which states in relevant part:

1 4. POWERS AND DUTIES OF RECEIVER WITH
2 RESPECT TO THE RECEIVERSHIP ESTATE. With respect to
3 the Receivership Estate, the Receiver is granted all powers and is
4 charged with all duties granted or imposed by the Receivership
5 Code, including but not limited to the following powers and duties:

6 ***

7 (B) To seize and collect any and all funds or other assets which
8 constitute income, proceeds or profits of the Receivership Estate,
9 in whatever form and wherever located, including but not limited
10 to any and all cash, deposits, accounts, bank accounts, other cash
11 accounts or cash equivalents, and lock box funds, and to change
12 the signatory authority on all such accounts related to the
13 Receivership Estate, with the power and authority to distribute
14 such income, proceeds or profits to the party or parties legally
15 entitled thereto.”

16 8. The agreement embodied in the proposed order resolving claim objections
17 represents Receiver’s business judgment as a reasonable resolution of the claim objections.

18 I declare under penalty of perjury that the foregoing is true and correct to the best of my
19 knowledge and belief.

20 Executed this 8th day of May, 2018, at Boise, Idaho.

21 /s/Matthew R. McKinlay
22 Matthew R. McKinlay